

29

THE COST OF CHINA'S COMMITMENT IN VIETNAM

Introduction

In a narrow sense Peking's backing for the Communist cause in Vietnam is something the Chinese can afford. At its present level, the direct investment in support of Hanoi imposes no serious strain on China's economy or its armed forces. At a more fundamental level and over the longer run, however, the basic orientation of the Chinese leaders toward their domestic problems and toward the world outside--of which the Vietnamese involvement is symptomatic--could be ruinous.

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China today is a tortured giant, floundering in deep trouble. Some of these are natural problems--built-in difficulties for which the men in Peking cannot be held responsible. These, however, have been compounded by Communist miscalculations and bungling which stem from the vaulting ambitions of Mao and those around him for great-power status.

They have driven their economy far beyond its capacity in an attempt to build heavy industry and to gain an advanced weapons capability. In doing this they have sacrificed the agricultural base vital to long-run economic development. Instead of focusing their efforts on solving crucial domestic problems, the Chinese leaders have embroiled themselves in ideological battle with their one-time Soviet allies and challenged the world's greatest power in the Southeast Asian arena.

China's Economic Situation

China has a huge and growing population, insufficient arable land, and a low level of technology. In short, it is dirt poor. It would only take two or three years of consecutive bad weather to bring disaster. As recently as 1959-61 there was widespread starvation. Similar famine conditions could recur at any time.

With this bleak prospect, any sensible leadership would devote its energies and the country's resources to internal problems. A decade ago Chinese leaders seemed to be doing just this with notable success. By tackling their problems with imagination and vigor they had successfully restored and built up the war-shattered economy they inherited in 1949.

Figure 1 shows, however, that food supplies fell off sharply from 1957 through 1965. The preliminary outlook for 1966 is also poor. Ten years ago the Chinese were exporting grain. Now they are importing an average of 5-6 million tons a year.

Today China's leaders are more inflexible and hostile to the rest of the world than they were in 1957. They are not doing as much as they could to solve the country's economic problems. Instead they are going all out to develop nuclear weapons, missiles, and other advanced weapons. These programs pre-empt resources which could otherwise have been used to develop, say, a large-scale chemical fertilizer industry.

The decade of the 1950s brought considerable economic progress in Communist China, and the country seemed to be well along the path of sustained economic growth. The decade of the 1960s has been, and will continue to be, a far different story. With the collapse of the "leap forward" and the withdrawal of Soviet technicians, China's economic momentum of the 1950s came to a halt. The slow recovery since 1962 has been in many ways a regaining of lost ground; China has made progress in special areas, such as its program to acquire advanced weapons, but there has been no growth in productive capacity on a large scale. The Chinese economy

faces slow growth—at best—over the next few years. Given the unpredictability of the weather and the lack of certainty with regard to the future course of Chinese economic policy, even a slow growth of the economy cannot be taken for granted.

The most serious brake on economic growth is China's persistent neglect of its agricultural base in the face of a rapidly expanding population. If an underdeveloped country wants to industrialize and lacks substantial outside assistance, its agriculture must be able to meet the expanding needs of its own population and at the same time provide exports to pay for the imports of machinery and equipment. In the 1950s China was able to do this, although problems were developing; in the 1960s it is not. Over the past few years, population has grown faster than food production leading to a decline in the per capita availability of food despite large imports of grain (see figure 1). Domestic production of food is much less now per capita than in 1957. The ability of agriculture to contribute to industrial growth is much less than it was prior to 1960. This is shown by the shift in export earnings from food. (see Figure 2). In 1959, China earned \$820 million net from the sale of food abroad; from 1961 to 1965, however, there was an average annual net deficit of about \$125 million in food sales.

The only ^{rational} solution to China's food-population ^{rational} problem would involve steps to immediately provide substantial increases in food production while imposing a successful birth control program on the population. In neither case are the prospects good. The birth control campaign launched in mid-1963 is not being pushed with sufficient vigor to have a significant effect on population growth. Experience in Japan and Taiwan shows that increases in food production, primarily through increases in yields, are possible through heavy application of chemical fertilizer and the use of fertilizer-responsive seeds. But, this would require a program involving huge costs over a period of two or three decades. There are no signs that China's leaders intend to embark on a program of this magnitude. One must conclude from this that they are willing to risk the traditional Malthusian checks of famine and disease rather than adopt a rational course at variance with their militant doctrinaire approach to problems.

The Chinese commitment in support of North Vietnam is a small factor when compared with the costly weapons program the Chinese are embarked on. It does, however, impose an additional increment of waste on an (already) overtrained economy. China now provides North Vietnam with comparatively small but growing amounts of commodities such as food, machinery, and trucks. Peking also supplies Hanoi with weapons, ammunition, and other military equipment plus the skills of some 40,000 Chinese construction engineers and workers now in North Vietnam. All of these represent resources which could be usefully employed within the Chinese economy. Moreover, mounting tensions in an area just south of the Chinese frontier have compelled the regime to give high priority to airfield and railroad construction in South China. This has resulted in the diversion of substantial quantities of heavy equipment, high-quality materials, and engineering skill away from the civilian industrial sector. already

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China's Diplomatic Isolation

By their behavior abroad during the past five years or so the Chinese have transformed Peking into an international pariah.

Their arrogant certitude on questions of doctrine--Mao's demand that all Communists accept him as Pope and take his word as holy socialist writ--has thrust Peking into virtual isolation within the Communist World.

Chinese attempts at subversion and their transparent efforts to manipulate the Afro-Asian states for their own purposes have largely destroyed the influence Peking once enjoyed in Africa, the Middle East, and South Asia. The increasingly noisy quarrel with Castro has robbed the Chinese of their only solid toehold in Latin America.

Contacts with the rest of the free world are limited in the main to commerce--when trade provides clear promise of profit. The sympathy for Chinese aspirations which once existed has been steadily evaporating in previously open-minded quarters. Even the French are becoming disenchanted with the window on the West they believed they could open for the Chinese.

China's cynical exploitation of the situation in Vietnam where Peking, pursuing aggression by proxy, is clearly bent on fighting to the last Vietnamese, and the recent display of antiforeign feeling in the "cultural revolution," have nearly eliminated whatever such feeling still survives--except among the lunatic left--Lord Russell and the like.

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MEMORANDUM FOR:

These are copies of the memo that went
to Mr. Jordan of the White House on
Saturday Original
drafts are attached. Distribution was

Orig and one to Mr. Jordan
One to
One to
One to

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(DATE)

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